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**C O N F I D E N T I A L**

LIMITED OFFICIAL USE SECTION 12 OF 5 SAIGON 1434  
*73450/5*

E.O. 11652: N/A  
SUBJ: LEGISLATIVE PROHIBITIONS ON AID ASSISTANCE TO POLICE AND  
PRISONS IN SOUTH VIETNAM

REF: A. STATE 2731, B. STATE 252159(73)

AIDAC

1. USAID HAS GIVEN MOST THOROUGH REVIEW TO MATTERS POSED IN REF A  
IN LIGHT OF POLICY OBJECTIVES THERIN AND IN FURTHERANCE OF  
ASSURANCES AND OBJECTIVES SET OUT BY AMB MARTIN. PARTICULAR  
CONSIDERATION HAS BEEN GIVEN TO SENATE APPROPRIATIONS COMITE  
REPORT. THE MISSION ACTIVITIES AND GROUPINGS RELATING TO POLICE  
AND PRISONS CONTAINED IN REF A PARAS 3 AND 4 ARE ANALYZED UNDER  
THE FOLLOWING HEADINGS:

- A. CONTRACT SERVICES;
- B. DIRECT HIRE AND PERSONAL SERVICE CONTRACT TECHNICIANS;
- C. PARTICIPANT TRAINING;
- D. COMMODITIES;
- E. CONVERSION FOR BUDGETARY SUPPORT;
- F. GVN BUDGET-AMERICAN AID CHAPTER-LOCAL CURRENCIES;
- G. CIP;
- H. FUNDS-IN-TRUST PROCUREMENT FOR GVN.

REF A REFERRED TO MATTERS WITHIN HEADINGS A THROUGH E. HEADINGS

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*51443 "Police Training"*

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2. IN RESPONDING TO REF A PARA 5 MISSION WILL DEAL WITH EACH HEADING SERIALLY IN PARA 3 BELOW, FURNISHING THE INFORMATION AND DATA WHICH SETS OUT THE STATUS, PLAN, RATIONALE, ETC., NUMERICALLY AS FOLLOWS:

1. ALL POLICE OR PRISON RELATED ACTIVITIES IN WHICH AID IS CURRENTLY INVOLVED, INCLUDING SUMMARY OF STATUS;
2. PIPELINE ANALYSIS OF ALL ACTIVITIES FUNDED BY UNLIQUIDATED DOLLAR AND PIASTER OBLIGATIONS OR COMMITMENTS, INDICATING EXTENT TO WHICH EXPENDITURES THEREUNDER CAN BE HALTED;
3. FY 74 OBLIGATIONS TO DATE BY ACTIVITY, PURPOSE, AND CURRENT STATUS OF IMPLEMENTATION;
4. SCHEDULED PHASE-OUT OF THESE ACTIVITIES, INCLUDING THE AMOUNT AND PURPOSES OF ANY NEW OBLIGATIONS REQUIRED FOR WINDING UP PROGRAMS.

THE FOREGOING WILL SHOW AID AND DOD FUNDING SEPARATELY, WHERE APPLICABLE, AND THE SUBPARA NUMBERS UNDER EACH HEADING BELOW WILL KEY INTO THE FOREGOING LEGEND. FOLLOWING THE PLAN DISCUSSION IN PARA 3 BELOW, A RECAP WILL BE PROVIDED AND OTHER PORTIONS OF REF A DEALT WITH.

**3. A. CONTRACT SERVICES:**

1. ACTIVITIES AND STATUS.
- USAID HAS SIX OUTSTANDING CONTRACTS, FOUR PROVIDING TECHNICAL SERVICES TO PRIMINS COMPUTER CENTER (PM/CC) AND TWO PROVIDING TECHNICAL SERVICES TO COMBINED TELECOMMUNICATIONS DIRECTORATE (CTD).

CONTRACTS SERVING PM/CC ARE WITH:

1. SEACA COMPUTER TRAINING TEAM CONTRACT (AID 730-3618);
2. SEACA FACILITIES MANAGEMENT TEAM (AID 730-3519);
3. SEACA ADVISORY TEAM CONTRACT (AID 730-3486);
4. COMPUTER SCIENCES CORP. (NAVCOSSACT, WASHDC, N00600-71-D-1090), A DOD CONTRACT ADMINISTERED BY USAID SINCE WITHDRAWAL OF US FORCES.

CONTRACTS SERVING CTD ARE WITH:

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1. QUINTON-BUDLONG, INC. (AID 730-3241);
2. FAR EAST TECHNICAL SERVICES (AID730-3491).

CONTRARY TO ASSUMPTIONS OF REF A PARA 3-A, PM/CC COULD BE PURGED OF NP SUB-SYSTEMS SINCE NP USES COMPUTER TO EXTRACT DATA FROM NP SUB-SYSTEMS APPROXIMATELY 20 PERCENT OF TOTAL COMPUTER TIME AVAILABLE. CONTRACT AID 730-3618 PROVIDES ELEVEN ADVISORS FOR DEVELOPING INSTRUCTORS TO TRAIN PROGRAMMERS AND SYSTEMS ANALYSTS FOR GVN TO HAVE ONGOING COMPETENCE. CALSS #2 FOR SYSTEMS ANALYSIS WAS COMPLETED DURING NOV 73 AND WAS LAST CLASS WHICH CONTAINED NP PARTICIPANTS FOR SYSTEMS ANALYSTS INSTRUCTORS/TRAINERS. CLASS #6 FOR TRAINERS AS PROGRAM INSTRUCTORS ENDED JANUARY. THIS WAS LAST CLASS FOR PROGRAMMER INSTRUCTOR TO INCLUDE ANY NP PARTICIPANTS. THESE CLASSES NOT COMPRISED SOLELY OF NP WHO CONSTITUTE SMALLEST GVN AGENCY PARTICIPATION. PLEASE NOTE NP HAVE OWN PROGRAMMING. SYSTEMS ANALYSIS, PRODUCTION CONTROL AND DATA PREPARATION PERSONNEL ENTIRELY DISTINCT FROM PM/CC AND RELY ON PM/CC ONLY FOR ACTUAL COMPUTER PROCESSING OF NP APPLICATION (TO EXTENT 20 PERCENT NOTED).

AID 730-3519 PROVIDES EIGHT TECHINCIA NS TEACHING PM/CC COMPUTER MANAGEMENT. NO NP ASSISTANCE INVOLVED.

AID 730-3486 PROVIDES SIX TECHNICIANS FOR TRANSFERRING SYSTEMS TO PM/CC. THERE IS NO ASSISTANCE TO NP IN REMAINDER OF THIS CONTRACT.

COMPUTER SCIENCES CORP. PROVIDES 48 TECHNICIANS, 37 US AND 11 VIETNAMESE. ONLY ONE TASK ORDER, #7, IN THIS CONTRACT, INVOLVING 11 PERSONS, ASSISTS NP IN DOCUMENTATION OF FIVE OPERATIONAL SYSTEMS AND DEVELOPING TWO OTHER SYSTEMS. REMAINING TASK ORDERS DEALING WITH MANAGEMENT OF CONTRACT, WAR VETERANS SYSTEMS, CENTRAL RECONSTRUCTION DEVELOPMENT COUNCIL IN PRIMINS OFFICE, TECHWRITING ASSISTANCE AND PRODUCTION CONTROL DO NOT RELATE TO POLICE AT ALL.

AID 730-3618 TERMINATES NOV 8, 74; AID 730-3519 TERMINATES AUG 20, 74 AID 730-3486 TERMINATES AUG 3, 74; AND COMPUTER SCIENCES CORP. CONTRACT TERMINATES JUNE 13, 74. NONE OF CONTRACTS WILL BE EXTENDED EVEN THOUGH NO ASSISTANCE TO POLICE INVOLVED.

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RE CTD. AID 730-3241 PROVIDES FIVE US RADIO TECHNICIANS AND AID 730-3492 PROVIDES 20 TCN'S FURNISHING OPERATIONAL AND REPAIR SERVICE TO A GOVT-WIDE SHARED TELECOM FACILITY WHICH IS ALSO, BUT NOT EXCLUSIVELY, USED BY NP. BOTH THESE CONTRACTS TERMINATE 3/31/74 WITH NO PLANS TO EXTEND.

2. PIPELINE.

COMPUTER SCIENCES CORP. HAS \$1,460,000 DOD FUNDS TO CARRY IT TO COMPLETION. AID 730-3519 HAS \$176,000 OBLIGATED. AID 730-3486 HAS \$204,000 OBLIGATED AND \$28,000 UNCOMMITTED. AID 730-3618 HAS \$199,000 OBLIGATED.

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LIMITED OFFICIAL USE SECTION 2 OF 5 SAIGON 1434

ZID 730-3241 HAS \$6,000 OBLIGATED. AID 730-3492 HAS \$66,000  
OBLIGATED AND \$14,000 UNCOMMITTED.

## 3. FY 74 OBLIGATIONS

AID 730-3241 HAS \$56,000 OBLIGATED  
TO CARRY TO COMPLETION 3/31/74. OTHER FIVE CONTRACTS: ZERO.

## 4. PLANS.

RE CONTRACT SERVICES TO PM/CC USAID PROPOSES TO CARRY THESE FOUR  
CONTRACTS TO COMPLETION, WITH IMMEDIATE NOTICE OF PARTIAL  
TERMINATION OF ONE CONTRACT TO ELIMINATE ASSISTANCE TO POLICE  
TRAINING. AID 730-3618 (COMPUTER INSTRUCTORS TRAINING TEAM)  
REQUIRES ADDITIONAL \$207,524 TO BRING THIS CONTRACT TO  
TERMINATION IN NOV 74. WITH TERMINATION OF TASK ORDER #7  
OF COMPUTE  
BSCIENCES CORP. CONTRACT, ALL POLICE INVOLVEMENT  
IS ENDED THIS MONTH SO THAT REMAINDER OF CONTRACT PROVIDES  
TRAINING TO ASSIST GVN OFFICE OF PRIMIN TO OPERATE THE COMPUTER  
CENTER. USAID HAS INVESTED OVER \$2 MILLION IN PM/CC PROJECT AND  
THE GVN INPUT EXCEEDS THIS, HAVING USED GVN FOREIGN EXCHANGE TO  
PURCHASE THE COMPUTER. CANCELLATION OF THE THREE SEACA CONTRACTS,  
WHICH INVOLVE NO FURTHER POLICE ASSISTANCE, COULD RESULT IN FAILURE  
OF THE PM/CC. FURTHER, WHILE IMPOSING AN INCONVENIENCE USAID WILL  
INSIST THAT THE NP TRANSFER DATA EXTRACTION TO ANOTHER COMPUTER

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LEAVING THE PM/CC WITHOUT ANY POLICE USE.

COMPUTER SCIENCES CORP. CONTRACT IS THREE YEAR CONTRACT FULLY FUNDED BY DOD TO ITS TERMINATION JUNE 13, 74. THE NP COMPONENT OF THIS CONTRACT, WORK ORDER #7, IS SEVERABLE AND HAS SOME \$158,000 OBLIGATED AS OF 12/31/73 TO CARRY IT TO COMPLETION. NONETHELESS, THIS TASK ORDER IS BEING CANCELLED ON 30 DAYS NOTICE SO THAT ALL DIRECT AND INDIRECT POLICE INVOLVEMENT IN THE PM/COMPUTER CENTER IS ELIMINATED. THE SENATE COMITE REPORT MADE NO MENTION OF THE PM/COMPUTER CENTER.

THE TWO CONTRACTS FOR CTD ARE FULLY FUNDED AND EXPIRE 3/31/74. IT WOULD BE COSTLY TO TERMINATE FOR CONVENIENCE, (WOULD REQUIRE 30 DAYS TO BRING ABOUT TERMINATION WHICH WOULD BRING US OUT TO THE END OF FEBRUARY) WHEREAS THESE CONTRACTS END A MONTH LATER ON MARCH 31, 74.

#### B. DIRECT HIRE AND PERSONAL SERVICE CONTRACT TECHNICIANS:

##### 1. ACTIVITIES AND STATUS,

TWO DIRECT HIRE AND TWO PS TECHNICIANS ARE ASSIGNED TO THE PM/CC. THEIR FUNCTIONS ARE RELATED LARGELY TO MONITORING THE CONTRACTS DISCUSSED UNDER A. THEY ARE NOT INVOLVED IN ASSISTING THE NP. ONE DH POSITION IS SCHEDULED FOR ELIMINATION IN JUNE 74 AND THE SECOND IN SEPTEMBER 74. CAE PS CONTRACTORS ARE SCHEDULED FOR TERMINATION: ONE IN JUNE 74 AND THE SECOND IN NOVEMBER 74.

FIVE DH USAID ADVISORS ASSIST CTD (FORMERLY NINE, FOUR DEPARTED, NO REPLACEMENT INTENDED). THESE DH SERVE AS TRAINING OFFICERS, MONITOR CONTRACTS, AND ASSIST IN COMMODITY SUPPORT. NO PS TECHNICIANS IN CTD. IT IS PLANNED TO PHASE OUT THE FIVE DH BY 3/31/74.

##### 3. PIPELINE.

TWO DH ASSISTING PM/CC -- ZERO  
FIVE DH ASSISTING CTD -- \$6,000  
TWO PSC ADVISING PM/CC HAVE \$12,000 IN AID FUNDS AND \$29,000 IN DOD FUNDS OBLIGATED FOR THOSE CONTRACTS. IN ADDITION, \$91,000 OF DOD FUNDS REMAINS UNCOMMITTED. THERE ALSO REMAINS IN THE PIPELINE

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\$256,000 THAT WAS OBLIGATED TO COVER COSTS OF PUBLIC SAFETY ADVISORS WHO LEFT VIETNAM FOLLOWING CEASE FIRE IN JAN 73. THERE MAY BE OUTSTANDING RESIDUAL CHARGES AGAINST THIS AMOUNT.

### 3. FY 74 OBLIGATIONS.

SOME \$41,000 OBLIGATED FOR TWO DH SPECIALISTS FOR PM/CC.  
PSC IN PM/CC -- ZERO  
DH IN CTD - SOME \$138,000  
PSC IN CTD -- ZERO

### 4. PLANS.

THE DH AND PS TECHNICIANS ASSISTING THE PM/CC ARE NOT INVOLVED IN ASSISTANCE TO POLICE AND PRISONS, ARE NEEDED FOR CONTRACT SUPERVISION AND MONITORING AND ARE SCHEDULED FOR PHASE-OUT WITH THE CONTRACTS DISCUSSED IN 3-. \$15,000 MUST BE OBLIGATED FOR PSC WHO IS SCHEDULED FOR TERMINATION IN NOV 74.

THE DH ASSISTING THE CTD WILL BE REDUCED ALONG WITH THE WINDING DOWN THROUGH CONTRACT COMPLETION, SO THAT ALL THE DH ASSISTANCE WILL END BY 3/31/74. ONE OR MORE WOULD DEPART EARLIER AS CLOSURE APPROACHES. DH SERVICES ARE NEEDED IN CLOSE OUT.

### C. PARTICIPANT TRAINING.

#### 1. ACTIVITIES AND STATUS.

POLICE TRAINING IS LIMITED TO TRAINING OF NP IN THE US IN TWO BROAD CATEGORIES: GENERAL POLICE TRAINING AT THE INTERNATIONAL POLICE ACADEMY (IPA) AND COMPUTER TRAINING (ADP). THERE IS NO TRAINING OF POLICE IN THIRD COUNTRIES AND NO POLICE TRAINING IN VIETNAM OTHER THAN THE CONCLUDING ACTIVITIES DISCUSSED UNDER CONTRACT SERVICES IN A ABOVE AND THE PREPARATORY ENGLISH LANGUAGE TRAINING DISCUSSED IN C4 20LOW. ALL PARTICIPANT TRAINING DISCUSSED HEREIN IS AID FINANCED.

#### REGULAR PROGRAM (IPA).

UNDER FY 73 FUNDING, SEVEN COMPLETED TRAINING IN MAY AND DEC 73. ONE

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NP WILL COMPLETE TRAINING IN FEB 74.

UNDER FY 74 FUNDING, FIVE NP COMPLETED TRAINING IN OCT 73; TWELVE ARE STILL IN TRAINING IN THE US, FOUR TO RETURN JAN 74; SIX TO RETURN APRIL 74; AND TWO TO RETURN JUNE 74. FOUR NP FOR WHOM FY 74 FUNDS ARE OBLIGATED HAVE NOT GONE; ONE MISSED PROGRAM AND FUNDING WOULD BE CANCELLED IN ANY CASE AND THREE OTHERS DID NOT QUALIFY FOR OTHER REASONS NECESSITATING FUNDING CANCELLATION.

ADP - COMPUTER TRAINING - UNDER FY 73 FUNDING, 37 NP PARTICIPANTS COMPLETED TRAINING AND 18 ARE STILL IN TRAINING, 12 TO COMPLETE COURSES IN FEB 74 AND 6 TO COMPLETE COURSES IN JULY 74. FIFTEEN NP TRAINEES ARE SELECTED, PREPARED AND READY TO GO IN FEBRUARY. IT IS INDICATED THEIR COURSES WOULD BE COMPLETED BEFORE SEPT 74.

UNDER FY 74 OBLIGATIONS, 9 NP PARTICIPANTS ARE IN THE STATES COMPLETING TRAINING IN JAN 74. FIVE MORE NP PARTICIPANTS ARE SELECTED, PREPARED AND READY TO GO FOR TRAINING THAT WOULD BE COMPLETED BEFORE SEPT 74.

2. PIPELINE.

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LIMITED OFFICIAL USE SECTION 3 OF 5 SAIGON 1434

REGULAR IPA PROGRAM TRAINING --\$30,000  
ADP COMPUTER TRAINING -- 172,000  
\$202,000

## 3. FY 74 OBLIGATIONS

REGULAR IPA PROGRAM TRAINING - \$101,000 FOR 22 NP  
ADP COMPUTER TRAINING - 62,000 FOR 14 NP  
\$163,000 FOR 36 NP

4. PLANS. USAID IS ADVISED AND FULLY AGREES THAT PARTICIPANTS PRESENTLY IN TRAINING IN THE STATES SHOULD COMPLETE THEIR TRAINING BEFORE RETURNING TO VIETNAM. WITH RESPECT TO TWENTY PARTICIPANTS AWAITING CALL FORWARD FROM VIETNAM, USAID IS CANCELLING THE PROGRAM FOR THESE PARTICIPANTS DESPITE THE HARDSHIP IT CAUSES THE INDIVIDUALS AND THE POSSIBLE MISUNDERSTANDING BY THE GVN. ALL OTHER NP TRAINING PLANS ARE CANCELLED. RELATED TO THE PARTICIPANT TRAINING PROGRAM BUT NO DIRECTLY A PART OF IT ARE THE ENGLISH LANGUAGE CLASSES CONDUCTED FOR GVN OFFICIALS IN THE STAFF DEVELOPMENT CENTER (SDC).

THERE ARE PRESENTLY 74 NATIONAL POLICE OFFICERS ATTENDING ENGLISH CLASSES. THIS TERM ENDS FEB 8, 74. THESE ARE SOME OF THE ASPIRANTS FOR THE GENERAL POLICE TRAINING OF 64 PARTICIPANTS AT IPA AND 200 PARTICIPANTS IN COMPUTER MANAGEMENT PROGRAMMED FOR FY74 WHO ARE ELIMINATED UNDER THE CURRENT REVIEW. AS TO PROVIDING

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ENGLISH TRAINING AS A MATTER OF GENERAL INTEREST THROUGH SDC, MISSION DOES NOT SEE HOW CONTINUED LANGUAGE TRAINING WOULD OFFEND PURPOSES OF NEW LEGISLATION BUT IF AID/W CONSIDERS THAT ENGLISH LANGUAGE COURSES SHOULD ALSO BE DENIED TO NP, MISSION WILL BAR NP FROM FUTURE CLASSES.

## D. COMMODITIES.

1. ACTIVITIES AND STATUS. THE PREPONDERANCE OF COMMODITY PROCUREMENT, BOTH AID AND DOD FUNDED, IRRESPECTIVE OF PROJECT OR ACTIVITY IS CHANNLED THROUGH THE USAID LOGISTICS OFFICE. FY 73 PIPELINE WAS ESTABLISHED BEFORE THE CLOSE OF THE PUBLIC SAFETY PROGRAM AS REFLECTED IN FOLLOWING SUMMARY OF AID AND DOD PIPELINE FUNDS. THERE WERE NO AID FY 74 OBLIGATIONS FOR COMMODITIES, ONLY DOD FUNDS WERE OBLIGATED IN FY 74. THUS, THE AID PIPELINE FOR COMMODITIES IS RECORDED AS \$818,119.43 DERIVED AS FOLLOWS:

(#299) PS TELECOM	(000)
(#353) NATIONAL POLICE	\$313 - \$53 FOR NARCOTICS
(#353) CORRECTION CENTERS	\$441 - -\$17 FOR NARCOTICS
(#380) ENG. TECH SUPPORT	\$8
	\$126
	\$888 LESS \$70
	-70
	\$818
DOD-FUNDED OBLIGATIONS FOR COMMODITIES ARE:	
	FY 73 PIPELINE
(#299) PS TELECOM	\$496
(#252) NATIONAL POLICE	4,340
(#380) ENG. TECH SUPPORT	135
	\$4,971
	DOD FY 74 OBLIGATIONS
	(000)
(#380) ENG. TECH SUPPORT	\$527
(#378) LOG. TECH SUPPORT	3,000
	\$3,527

IN ADDITION TO THE FOREGOING, \$80,000 OF AID FUNDS WERE OBLIGATED IN FY 73 FOR COMMODITIES FOR THE GVN COMPUTER CENTER AND \$15,000 OF DOD FUNDS WERE OBLIGATED IN THE SAME PERIOD FOR A TOTAL

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OF \$95,000. HENCE, THE TOTAL COMMODITY PIPELINE AND FY 74 OBLIGA-  
TIONS AGGREGATES: (000)

AID --	\$818
DOD --	8,498
GVN COMPUTER CENTER	95
	\$9,411

AGAINST THIS TOTAL, USAID/LOG REPORTS (AS OF 1/11/74) THAT SCREENING 5,000 LINE ITEMS IN 124 089/C'S DISCLOSES THAT 4,569 LINE ITEMS HAD BEEN RECEIVED, SHIPPED OR CONTRACTED FOR. FURTHER REPORTED THAT \$1,206,285 REMAINED OBLIGATED, WITH ORDERS PLACED WITH PROCUREMENT AGENCIES BUT IN ADVANCE OF CONTRACTS ISSUED. OF THIS BALANCE 285,707 REPRESENTS FY 73 PIPELINE FUNDS AND \$920,578 ARE FY 74 FUNDS. THE FY 73 PIPELINE IS MADE UP OF \$108,358 OF AID FUNDED OBLIGATIONS AND \$177,349 OF DOD FUNDED OBLIGATIONS. ALL OF THE FY 74 OBLIGATED FUNDS ORDERED AND AWAITING CONTRACTING ARE DOD FUNDS FROM \$3,527,000 OF FY 74 OBLIGATIONS. ON THE BASIS OF THE FOREGOING IT IS UNCERTAIN HOW MUCH OF \$1,206,285 OF THE OBLIGATIONS CAN BE CANCELLED BUT IT IS POSSIBLE TO CANCEL ANOTHER \$2,606,000 OF DOD FY 74 OBLIGATIONS.

2. PIPELINE -- COVERED IN A ABOVE.

3. FY 74 OBLIGATIONS -- COVERED IN 1 ABOVE.

4. PLAN. OF THE TOTAL AMOUNT NOTED IN Q THAT MAY BE CANCELLED, \$108,358 REPRESENTS AID FUNDS OBLIGATED IN PRIOR YEARS. THOSE FUNDS ARE OBLIGATED TO PROCURE TRANSISTORS, CAMERA PARTS, OFFICE SUPPLIES, TELETYPE SPARE PARTS, TRANSCEIVERS AND PRINTING MATERIAL. THE BALANCE REPRESENTS DOD FUNDED PROCUREMENT FOR WHICH AID SERVES AS PURCHASING AGENT. THE DOD FUNDS ARE OBLIGATED TO PROCURE HOSPITAL EQUIPMENT, CLOTHING, VEHICLE TOOLS, CEMENT, BATTERIES, RADIO SPARES, TRANSCEIVERS, RADIOS, ROOFING, TYPEWRITERS, NEWSPRINT, ETC. ALL OF THE FUNDS OBLIGATED IN FY 74 AND IN THE PIPELINE ARE SUBJECT TO BILATERAL AGREEMENTS SIGNED WITH THE GVN. SUBSTANTIAL AMOUNT OF PROCUREMENT FOR ITEMS LIKE BATTERIES, RADION SETS, SPARE PARTS, ARE SHELF ITEMS FOR CIA, EQUIVALENT OUR GSA, SO THAT IMPOSSIBLE DETERMINE WHETHER ITEM WILL WIND UP PURCHASED BY POLICE OR BY ANOTHER AGENCY. COMMON USE ITEMS POSE DIFFICULTIES. MISSION ISSUING CANCELLATION INSTRUCTIONS FOR ITEMS ORDERED THROUGH

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PROCUREMENT AGENCIES BUT UNABLE SAY HOW MUCH WILL BE EFFECTIVELY  
CANCELLED, SINCE FIRM ORDERS OR CONTRACTS WITH SUPPLIERS CANNOT BE  
CANCELLED, ALSO CANCELLING BALANCE OF FY 74 OBLIGATION (DOD) FOR  
\$2,606,000. USAID REQUESTS AID/W ASSURANCE FOR GVN THAT AID FUNDS  
CANCELLED WILL BE REPROGRAMMED FOR GVN FOR AUTHORIZED USES.

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C O N F I D E N T I A L

LIMITED OFFICIAL USE SECTION 4 OF 5 SAIGON 1434

E. CONVERSION FOR BUDGETARY SUPPORT.

1. ACTIVITIES AND STATUS. UNDER AID-DOD REALIGNMENT PROGRAM, DOD HAS FUNDED PORTIONS OF AMERICAN AID CHAPTER OF NATIONAL GVN BUDGET. THE ITEMS FUNDED APPEARED IN THE NATIONAL BUDGET BY LINE ITEM AND RECIPIENT AGENCY. USAID SERVED AS DOD AGENT IN APPROVING, WITH CORDS/MACV PARTICIPATION AND CONCURRENCE, BILATERAL AGREEMENT WITH GVN FOR CONVERSION DOD DOLLARS TO PIASTERS FOR GVN BUDGET SUPPORT. USAID NEGOTIATED WITH GVN DETAILS OF AAC PORTION OF GVN BUDGET WHICH WAS THEN ENACTED ALONG WITH GVN NATIONAL BUDGET BY GVN LEGISLATURE. HENCE, UNDER THIS PROCEDURE THERE REMAINS UNLIQUIDATED BALANCE FROM FY 73, FY 72 AND FY 70 TOTAZXING \$2.026 MILLION AGAINST WHICH THERE REMAINS OUTSTANDING FOR REIMBURSEMENT TO GVN PIASTER EQUIVALENT OF ABOUT \$1.5 MILLION. UNDER GVN BUDGET LAW, TO WHICH AID APPROVAL WAS GIVEN, AUTHORITY EXISTS FOR TRANSFER BETWEEN ACCOUNTS UP TO 20 PERCENT WITHOUT CLEARANCE AND SUCH TRANSFER AUTHORITY ALSO INCLUDED IN USAID PROAG'S CONCLUDED WITH GVN. FOREGOING BALANCE AND OUTSTANDING COMMITMENT RESULTS FROM TOTAL DOD FUNDING OF \$5,203,000 TO PROVIDE VN\$2,096,100,000 TO AAC PORTIONS OF GN NATIONAL BUDGETS FOR 73, 72, 70. THERE ARE NO FY 74 OBLIGATIONS OF THIS CHARACTER AND USAID HAS NOT YET INFORMED GVN OF PIASTER SUPPORT, SOURCES, ETC. USAID HAS PREPARED NOTE TO GVN ADVISING OF POSSIBLE NEED TO SHIFT IN RESPECT OF ACCOUNTS TO AVOID ATTRIBUTION TO US FUNDS FOR PURPOSES MEETING POLICE AND PRISON RESTRICTIONS, WHICH WILL ACCOMPANY SUPPLEMENT FOR CY 74 TO LOCAL CURRENCY MEMORANDUM OF UNDERSTANDING OF FEB 73.

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THE SUPPORT FUNDS ARE GENERALLY FOR BUDGET USES OF DESIGNATED AGENCY OR PROGRAM.

2. PIPELINE-- THIS IS COVERED IN 1.

3. FY 74 OBLIGATIONS -- THIS IS COVERED IN 1.

4. PLAN. USAID PROPOSES TO COMPLETE THE BUDGET SUPPORT COMMITTED TO THE GVN UNDER THE AMERICAN AID CHAPTERS. THESE INVOLVE FUNCTIONS IN WHICH USAID SERVED AS AGENT FOR DOD IN USE OF DOD FUNDS OBLIGATED UNDER AGREEMENTS SUBSTANCE OF WHICH ALSO FORMS PART OF ENACTMENT INTO LAW BY GVN LEGISLATURE. RENEGING ON THESE AGREEMENTS WOULD BE ESPECIALLY HARMFUL TO OUR RELATIONS WITH GVN WHO OBVIOUSLY WOULD HAVE TO TAKE STRONGEST EXCEPTION TO OUR UNILATERAL ACTION IN VIEW OF GVN LEGISLATIVE APPROVAL. THIS CERTAINLY WOULD BECOME PUBLIC ISSUE IN WHICH OUR CREDIBILITY WOULD SUFFER SINCE WOULD BE DIFFICULT, IF NOT IMPOSSIBLE, TO JUSTIFY OUR ELIMINATING DOD FUNDS UNDER AID LEGISLATION BEING GIVEN RETROACTIVE EFFECT. USAID WILL, OF COURSE, SAFEGUARD AGAINST PROSPECTIVE BUDGET SUPPORT BEING COMMITTED FOR POLICE AND PRISON RELATED USES. WHEN FULL DETAILED REVIEW WITH GVN HAS BEEN COMPLETED TO DETERMINE THAT ALL PRIOR US BUDGET SUPPORT UNDERTAKINGS WITH DOD FUNDING HAVE BEEN MET USAID WILL DEOBLIGATE ANXFFUNDS NOT REQUIRED TO MEET PRIOR COMMITMENTS.

F. GVN BUDGET - AMERICAN AID CHAPTER - LOCAL CURRENCIES.

1. ACTIVITIES AND STATUS. UDNER AID'S ASSISTANCE PROGRAM VIP-GENERATED LOCAL CURRENCIES HAVE, OVER THE YEARS, BEEN USED UNDER ANNUAL AGREEMENTS WITH THE GVN IN FINANCING THE AMERICAN AID CHAPTER OF THE GVN BUDGET. THIS REPRESENTS AGREED US OF COUNTERPART AND IS DISTINCT FROM THE DOD SUPPORT DEALT WITH IN E ABOVE. HOWEVER, THE DISCUSSION IN E RELEVANT TO THE BUDGET PROCESS AND THE USAID AGREEMENT AS PART OF BUDGET DEVELOPMENT ARE EQUALLY APPLICABLE IN RESPECT OF THE LOCAL CURRENCIES DISCUSSED HERE. IN ADDITION, OTHER AID-GENERATED COUNTERPART HAS BEEN APPROVED FOR USE IN NATIONAL POLICE PROJECTS FUNDED THROUGH EXTRA-BUDGETARY ACCOUNTS, SUCH AS THE LOCAL PROCUREMENT FUND, SPECIAL FUND IN THE PRIMINS OFFICE, AND USAID TRUST FUND. ALL OF THESE USES OF COUNTERPART HAVE BEEN THE SUBJECT OF AGREEMENTS WITH GVN. THERE

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REMAINS AN UNLIQUIDATED BALANCE, AS OF DEC 31, 73, OF LITTLE OVE VN\$50 MILLION (APPROXIMATELY \$90,000) TO BE RELEASED TO AGENCIES WHEN REQUESTS FOR REIMBURSEMENT OF AUTHORIZED EXPENDITURES ARE RECEIVED.

2. PIPELINE -- COVERED IN 1

3. FY 74 OBLIGATIONS -- COVERED IN 1

4. PLAN. USAID PROPOSES TO TREAT THE USE OF THESE LOCAL CURRENCIES IN THE SAME MANNER AS PROPOSED FOR DOD SUPPORT ASSISTANCE IN E ABOVE FOR SUBSTANTIALLY THE SAME REASONS. ADDITIONALLY COUNTERPART BELONGS TO THE GVN SO THAT ANY CONDITIONS APPLICABLE TO ITS USE WOULD HAVE TO BE MADE AS A CONDITION TO ITS GENERATION AND NOT RETROACTIVELY.

G. CIP

1. ACTIVITIES AND STATUS. CIP FUNDS HAVE BEEN USED FOR COMMODITY PROCUREMENT THROUGH CLA FOR THE NP SINCE LATE FY 72 WHEN USE OF CIP WAS EXPANDED TO INCLUDE ALL GVN AGENCIES EXCEPT MINISTRY OF NATIONAL DEFENSE. NO CIP FUNDS WERE EVER USED TO PROCURE COMMODITIES

IN SUPPORT OF BUREAU OF CORRECTIONS AND DETENTIONS. WN FY 72 \$32,430 WAS EXPANDED FOR TYPEWRITERS; FY 73 - \$3,489 FOR MULTILITH SUPPLIES, AND FY 74 - \$31,620 FOR FLOURESCENT TUBE X-RAY FOR POLICE HOSPITAL, AND 3-M COPY PAPER. ALL SUPPLIES ARRIVED OR FIMLY CONTRACTED FOR WITH SUPPLIER EXCEPT \$14,473.50 FOR 3-M COPY PAPER FOR WHICH AWARD WAS ANNOUNCED ON 11/9/73. THERE ARE TWO INVITATIONS FOR BID OUTSTANDING FOR SEWING MACHINES (\$5,000) AND RADIO TRANSMITTERS (\$50,000) FOR WHICH CLA HAS BEEN ADVISED THAT PROCUREMENT HAS BEEN DEFERRED PENDING LEGISLATIVE REVIEW. REQUESTS TO ISSUE IFB'S THROUGH CIP FOR \$3,000 - LITHOGRAPHIC SUPPLIES AND \$150,000 TYPEWRITERS WERE SIMILARLY DEFERRED.

2. PIPELINE -- COVERED IN 1.

3. FY 74 OBLIGATIONS -- COVERED IN 1.

4. PLAN. THE ANNOUNCED AWARD FOR 3-M COPY PAPER IS BEING

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IMPLEMENTED. NO OTHER ACTION IS REQUIRED. CIP WILL NO LONGER BE  
USED FOR NP PROCUREMENT.

H. FUNDS-IN-TRUST PROCUREMENT FOR GVN.

1. ACTIVITIES AND STATUS. USAID HAS \$200,000 OF GVN  
OWNED FUNDS-IN-TRUST FROM CLA FOR PROCUREMENT FROM OR THROUGH USG  
AGENCIES. SOME OF THIS PROCUREMENT MAY BE FOR NP. MANY USG  
AGENCIES LACK AUTHORITY TO PROCURE OR PROVIDE COMMODITIES OR  
SERVICES FOR FRIENDLY COUNTRIES AND SEC. 607(A) FAA PROVIDES  
BASIS ON WHICH AID MAY ENABLE SUCH PROCUREMENT ON ADVANCE OF FUNDS

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C O N F I D E N T I A L

LIMITED OFFICIAL USE SECTION 5 OF 5 SAIGON 1434

OR REIMBURSEMENT BASIS. NO ORDERS HAVE YET BEEN RECEIVED FOR USE  
OF \$200,000.

2. PIPELINE -- COVERED IN 1.

3. FY 74 OBLIGATIONS -- NONE.

4. PLAN. USAID PERCEIVES NO REASON TO RETURN FUNDS-IN-  
TRUST OR REFUSE PROCUREMENT SERVICES WITH GVN FUNDS. SENATE  
COMITE REPORT URGED GVN FUNDS BE USED FOR POLICE REQUIREMENTS  
BUT DID NOT INDICATE USG PROCUREMENT ASSISTANCE SHOULD BE DENIED  
GVN. UNLESS USAID RECEIVES EXPRESS INSTRUCTIONS TO CONTRARY, WILL  
CONTINUE HANDLE FUNDS-IN-TRUST PROCUREMENT.

4. FOLLOWING RECAPS PARA 3:

	FY73 & PRIOR YEAR PIPELINE AID & DOD \$(000)	FY74 OBLIGATED AID & DOD \$(000)	OBLIGATED BUT UNCONTRACTED UNLIQUIDATED \$(000)	NEED TO OBLIGATE TO COMPLETE \$(000)
CONTRACT				
SERVICES	2,153	56	42	208
DH & PSC	394	179	347	15
PARTICIPANT				
TRAINING	202	163	-	-

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COMMODITIES 5,884

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(INSTRUCTIONS TO  
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FOR 1,206)

CONVERSION  
FOR BUDGET  
SUPPORT  
GVN BUDGET  
AAC LOCAL  
CURRENCY

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5. RE REF A PARAS 6 AND 7, USAID WILL OBTAIN APPROPRIATE  
ASSURANCES AND WRITTEN COMMUNICATION. DECON 2/1/76. MARTIN

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